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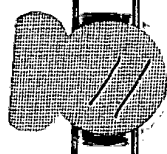

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THE DIRECTOR OF
CENTRAL INTELLIGENCE

National Intelligence Council

17 May 1988

Dear Fritz and Dave,

Attached are some musings on developments in Central America by Harry Cochran. I enjoy reading his analysis and thought you might like to scan.

Charlie

Charles E. Allen
NIO/W

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Reflections on El Salvador and Regional Prospects in Central America

The politics of the states of Central America, with the usual exception of Costa Rica, will be marked by growing confusion and internal divisions, as well as sporadic violence, as the consequences of the gradual subsidence of the Nicaraguan resistance movement become manifest. The next Administration's policies, of course, will condition developments to some extent, but major trends will be powered primarily by domestic dynamics in these countries. From the standpoint of US interests and credibility, the medium-term outlook (1 to 3 years) will be ambiguous at best and negative in some respects, particularly in El Salvador, Honduras, and Nicaragua. It is still too early, however, to articulate any specific warning issues that would impinge directly on US interests and require policy decisions.

Whether the endgame in Nicaragua will have lasting effects on US interests will depend on how the new Administration manages the final phases of the Contra venture. If Washington adopts a reasonably low profile and shapes its policy in concert with both clients in Central America and Latin American governments which have long had pretensions to play prominent roles in regional affairs (e.g., Mexico, Venezuela, Colombia), the US will be able to avert serious damage to its traditional standing in the area. On the other hand, if the transition to the post-Contra period is mismanaged by the new Administration or Latin American policy becomes entangled in scape-goating in our domestic politics, reverberations throughout Latin America will be potentially costly.

Political trends and events in El Salvador in the last few months will make that country particularly susceptible to fallout from the endgame in Nicaragua. Even the most favorable outcome for the US in Nicaragua and in regional negotiations on implementing the Central American Summit accord of last August will not avert a downward spiral in El Salvador. The pace and extent of this reversion to the anarchy of the early 1980s will be determined in part by the way the Contra endgame evolves.

The 11 May assassination of the Salvadoran military judge who was presiding over the case involving rightist officers suspected of death-squad activity and charged with operating a kidnap-for-ransom ring is a harbinger of things to come. The judge recently had ruled that three suspected FMLN agents charged with killing four US marines and two American civilians in 1985 were eligible for amnesty and should be freed under the Summit accord. This decision enraged Salvadoran rightists, and it was overruled by President Durate.

The military judge was the most prominent victim of an upsurge in death squad-style killings which prompted Roman Catholic leaders to warn recently of a return to the situation in the early 1980s when thousands of people were killed. The Duarte government's capacity to avert a reversion to anarchy has

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been irreparably damaged by the split in his Christian Democratic Party. Duarte cannot run for another term in elections scheduled for next year, and it now seems unlikely that a credible successor will emerge from his fractured party.

The decline in Duarte's political authority has played into the hands of Roberto d'Aubuisson's ARENA party, which scored a major victory in legislative and municipal elections last month. In sum, developments in El Salvador in the next year or two are likely to undermine, if not destroy, the genuine achievements of the last six years under Duarte's leadership. Both the FMLN and Salvadoran rightists obviously will make strenuous efforts to capitalize on the split in Duarte's party, and there will be perhaps a 70 percent chance that the next US administration will have to deal with conditions of political chaos and violence that strongly resemble the Salvadoran state of affairs in the early 1980s.

Honduras has a considerably better chance of avoiding political destablization in the next year, but the outlook for preserving the present facade of civilian government will depend to a great extent on the outcome in Nicaragua. If the Contra endgame is mismanaged, repercussions in Honduras will be severe. If, for example, Contra military discipline collapses and thousands of Contra troops seek refuge in Honduras, there would be a better than even chance that the military would unseat President Azcona and restore de facto military government.

The Nicaraguan conflict, of course, has never had the kind of direct effect on Guatemala's politics that it has had on El Salvador and Honduras. However, a messy outcome in Nicaragua and political chaos and violence in El Salvador and Honduras which create a climate of confusion and open-ended conflict would have some impact on Guatemala. The 11 May coup attempt against President Cerezo's government by some military units underscores the fragility of the civilian government elected in 1985. The circumstances that triggered this rebellion are not clear at this point, but highly charged issues such as Cerezo's modest land redistribution program and the return of political exiles, including leftist politicians, could precipitate a successful military revolt with no warning.

Sandinista intentions in the next year or two will be conditioned primarily by internal pressures and dynamics in the aftermath of the Contra endgame. If present trends persist, it is unlikely that Managua will adopt any sweeping changes in its policies toward its neighbors. Ortega and his Directorate colleagues, through a protracted process of improvisation, trial and error over the last seven years, have settled into a remarkably consistent political strategy of sheltering behind the facade of bilateral and multilateral regional negotiations. The effectiveness of this strategy in influencing US public and Congressional opinion and thwarting the Administration's aims has not been lost on the Sandinistas. They will not

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relinquish the advantages of this game unless there is some abrupt change in the regional outlook that cannot be foreseen at this point.

Assuming that the Nicaraguan resistance ceases to function as an organized force in the next 12 months and that most Contra troops disappear into the hills or seek refuge in Honduras or Miami, the Sandinistas will then have to grapple with immense and insoluble problems of economic chaos and political demoralization. The removal of the Contra/US threat will deny the Sandinistas an invaluable pretext for perpetuating their authoritarian political apparatus. Overwhelming problems of economic reconstruction will aggravate differences and feuds within the Directorate which have been submerged and contained in the imperatives of confronting the Contras and the US. There will be at least a 70 percent chance of a breakdown in the facade of Sandinista unity in the next two years. Factional contention and infighting will further reduce the already limited competence of the regime to deal with its economic and political dilemmas. The stage will then be set for the next round in Nicaragua's protracted civil war.

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